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84-2214/4

2 NOV 1984

MEMORANDUM FOR: Executive Director

FROM: Harry E. Fitzwater
Deputy Director for Administration

SUBJECT: A Future CIA Retirement System

REFERENCE: Ex Dir Note to DD's, dtd 29 October 1984, same subject

1. We, including the Office of Personnel, all favor the third approach. The second approach in your paper is a necessary prelude to determine how we can achieve our goal as defined in your third option. Obviously, developments in the political arena, to a large extent, will dictate what is feasible.

2. We agree with your outline of what an appropriate Agency retirement system would include. We think the three most important aspects are:

- a. Continuation of an early retirement program. It is unclear to me whether your proposal (a), which suggests a basic benefit of 25 years of service, is intended to make that the minimum service prior to retirement. If so, we think that would be an error. The present CIARDS policy allows people to retire at age 50 with 20 years of service. Moving minimum time to 25 years of service could probably increase our retirement age significantly beyond what it now is.
- b. Two and a half percent for all employees, whether they qualify for CIARDS or not, while serving abroad. We can try for a higher percentage, e.g., 4%, but I suggest the cost realities will eventually force us back to 2 1/2%, a line we should hold.



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SUBJECT: A Future CIA Retirement System

- c. A single CIA retirement program for all Agency employees and which continues as a subset the 60 months qualifying time for early retirement as is now the case in CIARDS. We think it is administratively important to stick with a set percentage figure for overseas or similarly hazardous duty and not leave individual judgments to a retirement board. One of the key factors in a retirement program is ease of understanding for the employees. If I understand it correctly, your percentage proposal in paragraph (b) might be difficult to explain and even more difficult to administer. A set rate at any level could achieve the purpose without any confusion.

3. We endorse the formula contribution plan. It will probably be included in any Congressional action.

4. Regarding your paragraph (d), we see the merit in some type of system which would encourage people to leave earlier rather than later. This has to be handled with some care, however, lest we lose our potential senior executives just as they reach an age to make important contributions. A statistical study reveals that, for an average Agency career, it takes approximately 24 years to go from GS-08 to GS-15. If 25 years was the cut-off date, we could well deny ourselves the services of the key people we want to retain. Those who would opt to leave under this type of financial pressure could, in fact, be those we least want to lose. A system of bonuses for people to stay would put us in conflict with the law governing stipends and performance awards. There are, however, other ways to achieve this goal. Similarly, the lower grade levels (GS-07 and GS-08) could be forced out at a most inconvenient time for them and the service. How, for example, would we handle a single female who joined the Agency at age 20? Would we really want to force her out at age 45? I suggest not. I believe the disincentive aspect needs more study, which OP is now doing.

25X1

Harry E. Fitzwater

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Central Intelligence Agency
Washington, D.C. 20505

29 October 1984

Executive Director

DD/A Registry

84-2214/13

NOTE FOR: DDA
DDI
DDO
DDS&T

Here are papers on the fourth topic--retirement--we are pulling together for the Director. Included is a retirement program proposal, covering note philosophizing about what we are after, and an OP critique.

Let me have your thoughts this week. I will package them along with the other issue papers for a final look before they go to the DCI and DDCI.

[Redacted Signature Box]

James H. Taylor

Attachments

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DD/A Registry
84-297/1

OCT 14 1984

MEMORANDUM FOR: Executive Director

VIA: Acting Deputy Director for Administration

FROM: Robert W. Magee
Director of Personnel

SUBJECT: Retirement Proposals

REFERENCE: Your Note, dtd 3 Oct 84, Same Subject

Jim,

1. We have reviewed your proposed retirement package and find that your ideas are very similar to those already included in our retirement brief. For instance, we wanted a program for all CIA employees, administered by us for security reasons; one that would supplement Social Security and reward overseas service, and take advantage of a voluntary capital accumulation plan (VCAP). Your proposal does modify our retirement proposals somewhat by mentioning 25 years of service rather than age 50 with 20 years service as the earliest retirement possibility and limiting credit for anything beyond 25 years. However, because of basic similarities, we were able to have a meaningful discussion with our consultant, [redacted] on this issue and get some very rough 25X1 ideas on cost factors associated with your suggestions.

Wow!

[redacted] 25X1

[redacted] The highest cost 25X1

factors result from the 25-year eligibility criteria regardless of age and VCAP inclusion. To reduce the cost to a level comparable to the FBI we can make certain modifications. For instance, keeping age 50 with 20 years of service could reduce the cost to [redacted] 25X1

[redacted] We could still maintain the 25-year maximum service credit. Alternatively, the accrual rates we assumed earlier (2 1/2% and 4% for overseas) could be reduced to a 2 1/4% basic formula with 3% for overseas service and retain the cost of [redacted] 25X1

Another alternative would be to reduce the cost of living adjustments to accommodate more preferable options.

C O N F I D E N T I A L

SUBJECT: Retirement Proposals

3. As you can see, there are a wide variety of possibilities, but the bottom line is that your suggestion could be designed in some form within the parameters of [redacted] FBI system. The real factor is what will be tolerable in Congress and the Administration with their cost cutting efforts. In this regard, Representative Conable from New York recently introduced some strong, extensive statements for the record supporting the Administration's viewpoint on the need to modify current retirement systems and citing the current excessive generosity of these systems. For this reason, we need to establish a game plan on how we are now going to deal with the Congress and the Administration on establishing our uniqueness. I will want to discuss this issue further with you in the near future.

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4. Our figures are only preliminary having been obtained in a very brief session with [redacted] to give you some quick feedback on your proposal. Finite figures will require some extensive actuarial study which we will pursue. Unfortunately, Ed will be out of town for the next two weeks and we must await his return before finalizing any data. In the meantime, I plan to start getting the word out to the troops on what we've done thus far and I'll provide you more details once we've been able to do some in-depth research.

25X1



Robert W. Magee

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Preliminary response only. Just to show you how ~~we~~ responsive we are.

Keep those ideas flowing. Including yours, we've thus far received one suggestion, I hope we'll get more when we brief the Agency.

C O N F I D E N T I A L